

Monitoring Economic Conditions in the Russian Federation

*The Russia
Longitudinal Monitoring Survey
1992-95*

February 1996

Russia Longitudinal
Monitoring Survey

University of North
Carolina at Chapel Hill

The Russia Longitudinal Monitoring Survey (RLMS) represents a series of nationally representative surveys of the Russian Federation implemented between 1992 and 1995. This report is based on surveys conducted in September 1992 (Round 1), February 1993 (Round 2), August 1993 (Round 3), November 1993 (Round 4), December 1994 (Round 5) and October 1995 (Round 6). Data from all Rounds have been weighted to ensure comparability of the information presented in this report.

The RLMS was carried out in two phases, each of which followed a different nationally representative sample of the Russian population. All aspects of field work in Phase II (the current Phase, consisting of Rounds 5 and 6) were handled by the Institute of Sociology, Russian Academy of Sciences headed by Drs. Polina Kozyreva and Mikhail Kosolapov, along with Dr. Michael Swafford, Paragon Research International. The Institute of Nutrition, Russian Academy of Medical Sciences, headed by Drs. Alexander Baturin and Arseni Martinchik coordinated and carried out the collection and processing of health and diet data.

Data collection for Phase I, consisting of Rounds 1-4, was implemented by the Russian State Statistical Bureau (Goskomstat) with Alexander Ivanov and Igor Dmitrichev codirecting this effort. Assistance was provided by the Russian Center for Preventive Medicine, led by Drs. Alexander Deev and Svetlana Shalnova. The Russian Institute of Sociology, especially Drs. Paulina Kozyreva and Michael Kosolapov, and Michael Swafford of Paragon Research International also provided detailed assistance in Phase I.

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The University of North Carolina team that has coordinated all phases of the RLMS includes: Barry Popkin, Principal Investigator, and co-investigators Namvar Zohoori, Barbara Entwisle, Tom Mroz and Lenore Kohlmeier.

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Access to RLMS data will be provided (as data become publicly available) through the RLMS home page on the World Wide Web, at http://www.cpc.unc.edu/projects/rlms/rlms_home.html.

Monitoring Economic Conditions in the Russian Federation

The Russia Longitudinal Monitoring Survey 1992-95

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Part 1: Overview of Key Findings

- Annual inflation rates have been cut by two-thirds over the past year as compared with the first three years of the reform period. During the 1992-1994 period prices increased at a rate of 15% per month, while last year prices increased by 7.2% per month. This corresponds to a reduction in the annualized inflation rate from 435% to 131%.
- Between December 1994 and October 1995, there was a considerable decline in average real income and average real expenditures.
- A significant inequality exists between lower and higher expenditure groups in total expenditures and in the distribution of expenditures.
- Ownership of assets stabilized; there was no noticeable shift in the ownership of any major assets between 1994 and 1995.
- Poverty levels are at an all-time high for the elderly and increased considerably between 1994 and 1995.
- There was little change in the level and distribution of unemployment between December 1994 and October 1995.
- Labor force participation rates were constant over the last year.
- Only small proportion of the unemployed and those out of the labor force received job training during the past year.
- There was a decline in the amount of back wages owed to employees between 1994 and 1995.

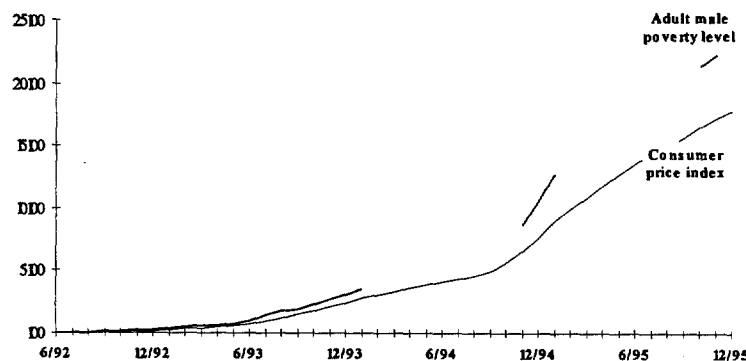
Part 2. Discussion of Results

Inflation

Inflation declined dramatically from December 1994 to October 1995. Compared to the 15% monthly inflation rate experienced from June 1992 to December 1994, prices only increased by 7.2% per month during the last ten months. Even these relatively low rates of inflation make it difficult for salaries and transfer payments to adjust, and this can have significant effects on income levels and poverty rates. This report uses Goskomstat's consumer price index and the monthly, official government poverty lines to translate all

nominal values to June 1992 rubles. These official poverty lines, developed by Russian officials and researchers and UNC-CH researchers, only reflect changes in the cost of food items in the Russian food basket for low-income adults; the consumer price index reflects changes in the overall cost of living for all Russians. Figure 1 contains a comparison of the consumer price level and the adult male poverty line across the RLMS survey period. Note that June 1992 prices are used throughout this report. Multiplying June 1992 prices by 179 will translate the constant ruble figures to December 1995 prices.

Figure 1. Monthly Inflation Patterns



Household Income Sources

The last row of Table 1 indicates that real household incomes fell by 23% from December 1994 to October 1995. Real incomes are now lower than at any earlier survey date except February 1993. The largest declines over the past 10 months can be attributed to declines in the absolute levels of income from working for state organizations (accounting for 37% of the decline), state transfers (19% of the decline), and noncash income from home production and the informal sector (18% of the decline).

Table 2 and Figure 2 indicate that recent changes in the distribution of sources of income are quite small. The large shift in the fraction of income from the state, for example, took place before 1995. This income share fell from 45.8% in September 1992 to 30.5% in December 1994, and it changed only by 0.2 percentage points during 1995. Overall, a comparison of the two most recent survey rounds indicates no important changes in the distribution of income by source during the past year. Table 3 presents the distribution of source of income by the age of household head in October 1995.

Not surprisingly, the elderly receive almost none of their income from working for the state and nearly three-fourths of their income from state transfers. This table reveals few differences in the distributions across working-aged households. The two most noteworthy

age-related features are the importance of noncash income from the private sector for those aged 36-59 and the importance of family and charity transfers for households headed by young individuals.

Table 1 - Income: Composition of Household Income in the Russian Federation (in June 1992 rubles)

Sources of Income	Dates Data Collected					
	9/92	2/93	8/93	11/93	12/94	10/95
Income from work for state-owned organizations	4019	3332	4141	3244	2945	2265
Income from work for nonstate-owned organizations	322	286	363	510	918	830
Transfers from the state (pensions, unemployment benefits, stipends, state allowances)	1208	1204	1650	1488	1429	1083
Cash income from home production and informal sector	462	202	528	472	590	522
Noncash income from home production and informal sector	492	400	790	1024	1061	735
Sale of personal belongings	336	215	268	229	279	213
Rental of personal property	5	8	12	6	20	8
Dividends	n/a	n/a	64	44	162	54
Family and charity transfers	925	355	666	534	612	460
Total monthly income	7769	6002	8482	7551	8016	6170

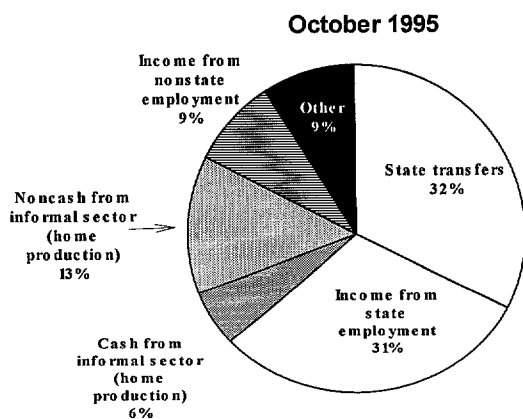
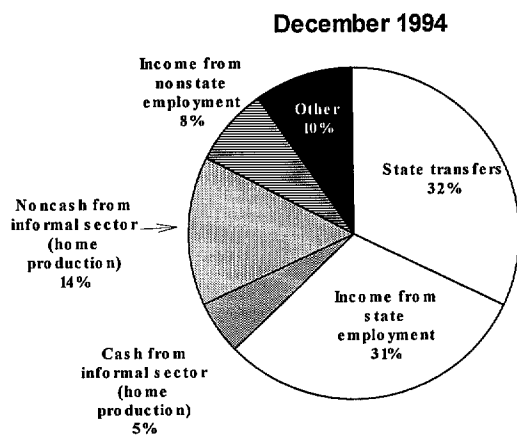
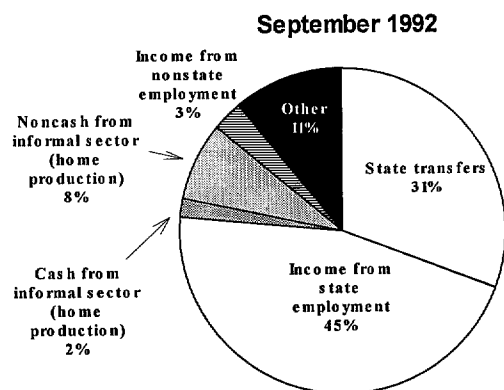
Table 2 - Income: Distribution of Sources of Income

Sources of Income	Dates Data Collected					
	9/92	2/93	8/93	11/93	12/94	10/95
Income from work for state-owned organizations	45.6	46.8	43.0	36.2	30.5	30.7
Income from work for nonstate-owned organizations	3.1	2.8	3.1	3.9	8.0	8.5
Transfers from the state (pensions, unemployment benefits, stipends, state allowances)	30.8	32.9	33.5	34.3	32.2	32.5
Cash income from home production and informal sector	1.9	1.7	2.9	2.8	5.4	6.0
Noncash income from home production and informal sector	7.8	9.0	10.1	14.8	14.3	13.3
Sale of personal belongings	1.2	1.3	0.8	0.7	1.3	1.2
Rental of personal property	0	0.1	0.1	0.1	0.2	0.1
Dividends	n/a	n/a	0.5	0.4	0.8	0.4
Family and charity transfers	9.6	5.5	6.1	6.8	7.3	7.3
Total monthly income	100%	100%	100%	100%	100%	100%

Table 3 - Distribution of Income by Age of Household Head (Oct. 1995)

Sources of Income	Head of Household Age			
	Less than 25	25-35	36-59	60+
Income from work for state organizations	35.8	41.2	38.4	4.2
Income from work for nonstate organizations	11.7	12.5	10.2	0.5
Transfers from state (pensions, unemployment benefits, stipends, state allowances)	18.0	15.1	22.1	73.7
Cash income from the private sector	4.6	8.9	7.0	1.9
Noncash income from the private sector	10.2	9.0	14.8	14.7
Sale of personal property	0.8	1.2	1.5	0.5
Rental of personal property	0	0.1	0.2	0.1
Dividends	0.1	0.6	0.4	0.2
Family and charity transfers	18.9	11.4	5.5	4.3
Total Monthly Income	100%	100%	100%	100%

Figure 2. Sources of Income



Household Expenditures

Table 4 presents average household expenditures across the six surveys. Coinciding with the large decline in household incomes, average expenditures fell by 16% from December 1994 to October 1995. Expenditures are at their lowest level since February 1993. During the last 10 months, average food expenditures declined by 18% and nonfood expenditures declined by 13%.

The largest absolute declines were in meat, fish, and poultry expenditures (a 25% decline), home production of food (a 28% decline), electronics and other durables (a 30% decline), and other food items (a 12% decline). The distributions of expenditures in Figure 3 reveal few changes over time.

Figure 3. Distribution of Expenditures

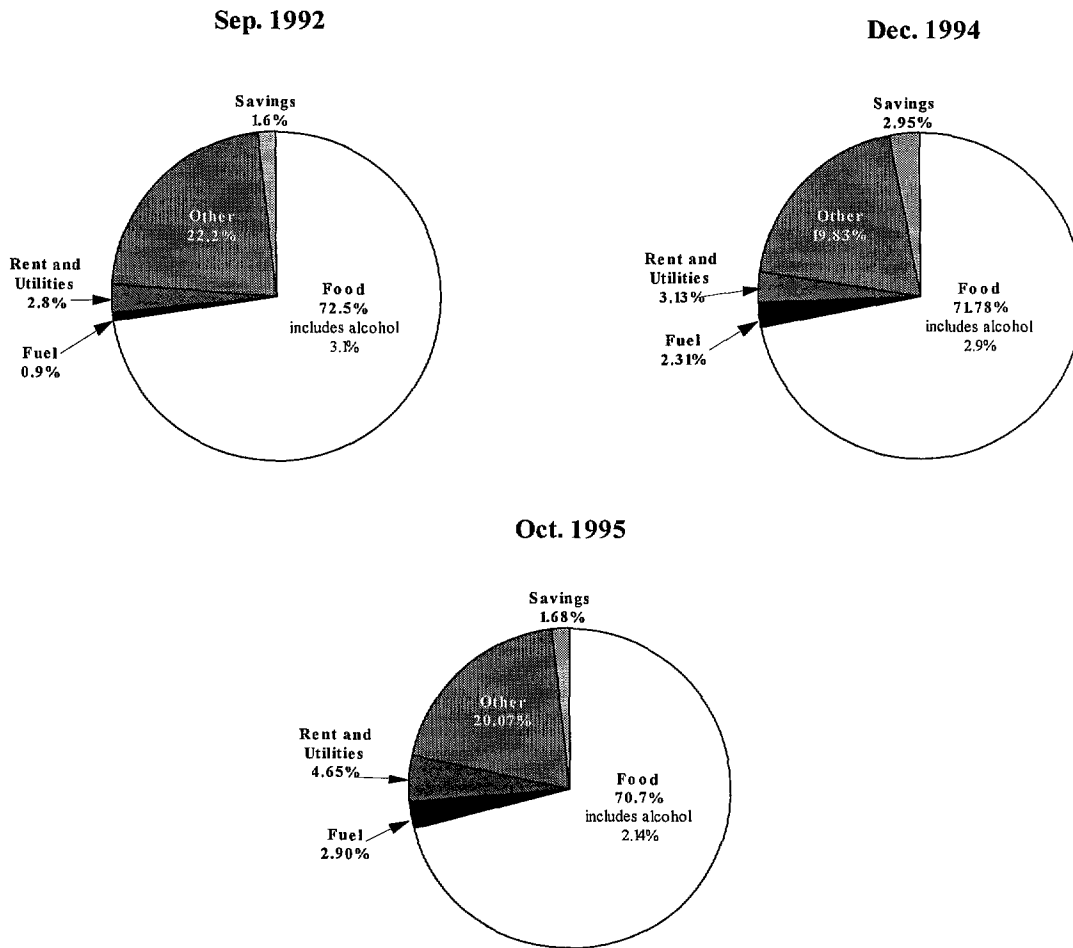


Table 4 - Monthly Household Expenditures in the Russian Federation (in June 1992 rubles)

Expenditure Category	Dates Data Collected					
	9/92	2/93	8/93	11/93	12/94	10/95
<i>Food Expenditures</i>						
Dairy products	629	571	643	519	394	352
Meat, poultry, fish	1195	1256	1669	1400	1597	1191
Potatoes	155	53	98	96	71	133
Other food items	2420	2253	2834	2611	2515	2220
Dining away from home	247	130	121	163	382	363
Home production of food	524	425	757	989	1213	872
Alcohol	291	240	241	253	288	175
Total Spent on Food	5461	4928	6363	6031	6460	5306
<i>Nonfood Expenditures</i>						
Tobacco	154	114	112	96	119	120
Clothing	824	1273	1328	1427	809	650
Fuel ¹	107	2	3	46	237	268
Electronics & other durables	433	836	938	946	1069	746
Services and recreation	150	188	292	303	753	953
Payment for tuition, loans, other debts, insurance	356	239	296	218	315	217
Rent and utilities	115	100	84	201	194	264
Stocks, bonds	51	83	67	41	28	4
Miscellaneous household items (soap, toys, newspapers, etc.)	491	330	521	686	n/a	n/a
Savings	167	106	136	112	494	282
Total Spent on Nonfood	2848	3271	3777	4076	4018	3504
Total Food & Nonfood Expenditures	8309	8199	10140	10107	10478	8810

¹Beginning with the data collected in December 1994, the definition of fuel changed to include auto fuel, bottled gas, and firewood. In previous rounds, bottled gas and firewood were included in the utilities category. The proportion of fuel obtained from each source in the December 1994 and October 1995 surveys are: 12/1994: auto fuel - 49%, firewood - 19%, bottled gas - 32%; 10/1995: auto fuel - 56%, firewood - 17%, bottled gas - 27%

Table 5 contains average monthly expenditures by per capita expenditure quintiles. Overall the top 20% of households spend more than eight times what the poorest 20% spend; this relative differential would be substantially greater in per capita terms. The top quintile spends only 49% of its income on food, compared to the 76% spent by the lowest quintile. The

poor spend almost nothing on durables and services and recreation and they have almost no additional savings. Rent and utilities comprise 23% of the lowest category's non-food expenditures and less than 4% of the highest category's non-food expenditures.

Table 5 - Monthly Household Expenditures by quintiles based on per capita expenditures (Oct. 1995)

Expenditure Category	Per Capita Expenditure Quintile				
	bottom 20%	21-40%	41-60%	61-80%	top 20%
<i>Food expenditures</i>					
Dairy products	115	244	300	430	664
Meat, poultry, fish	331	735	1130	1468	2258
Potatoes	19	62	69	132	380
Other food items	839	1433	1940	2668	4164
Dining away from home	80	179	274	334	934
Home production of food	425	693	879	1039	1307
Alcohol	51	85	124	205	405
Total spent on food	1860	3431	4716	6276	10112
<i>Non-food expenditures</i>					
Tobacco	60	85	107	142	205
Clothing	135	344	504	748	1496
Fuel	48	134	214	338	598
Electronics and other durables	11	79	163	362	3071
Services and recreation	174	375	539	840	2800
Payments for tuition, loans and other debts, insurance	27	38	89	130	789
Rent and utilities	140	224	268	296	388
Stocks, bonds	0	0	0	3	15
Savings	5	23	115	213	1041
Total spent on non-food	600	1302	1999	3072	10403
Total food and non-food expenditures	2460	4733	6715	9348	20515

Ownership of Assets

Table 6 reports the ownership of assets in Rounds 1, 5, and 6. Asset ownership, especially for color televisions, VCRs, cars and trucks, and dachas, increased

substantially since 1993. Nearly all of these changes occurred before 1995, and the incidence of ownership for most assets has been stable since late 1994.

Table 6 - The Proportion Owning Various Assets at the Time of the Survey

Asset	Sept. 1993	Dec. 1994	Oct. 1995
Television, black and white	53.7	53.5	48.9
Television, color	54.6	61.6	64.8
VCR	3.1	13.1	18.8
Car or truck	16.5	21.1	22.4
Refrigerator	93.0	92.9	93.7
Washing machine	76.6	79.1	79.9
Dacha*	17.8	29.6	29.4

*Dacha includes garden or country house; proportion of ownership is calculated for urban households only.

Unemployment and Labor Force Participation

Table 7 presents information on unemployment, work without pay, labor force participation, and the duration of unemployment. It contains both official unemployment (BLS/ILO definition) and hidden unemployment. The official rate, the fraction of the labor force not working and looking for employment, rose from 5.6% in the Summer of 1992 to 7.2 percent at the end of 1994. The official unemployment rate did not change from December 1994 to October 1995. Hidden unemployment, representing a conservative measure of those on involuntary unpaid leave and with no alternative labor earnings, fell slightly from 1994 to

1995. Figure 4 reveals no substantial changes in the distribution of the duration of unemployment, and Figure 5 indicates a very slight fall in the unemployment rate for men and a slight rise for women. An additional measure of not working for pay, the proportion of the labor force that worked but did not receive salaries from their enterprises, increased from 14.8% in December 1994 to 17.3% in October 1995. Figure 6 shows only minor changes in the labor force participation rates for working-aged men and women since 1994, and Figure 7 shows that the fraction of retirement-aged persons holding a job remained constant between 16 and 17%. Overall, recent employment patterns have been stable.

Table 7 - Unemployment Rates among Prime Age Adults (Men 18-60; Women 18-55), Russian Federation, 1992-1995

Category	9/92	2/93	8/93	11/93	12/94	10/95
Unemployment rate (BLS/ILO definition)	5.6	6.3	4.8	5.2	7.2	7.2
Unemployment rate (including hidden unemployment)*	n/a	n/a	7.4	8.9	7.7	7.5
"Hidden unemployment" rate <i>only</i>	n/a	n/a	2.5	3.5	0.5	0.4
Fraction of labor force reporting employment and no labor earnings in last 30 days	5.8	3.4	4.1	16.9	14.8	17.3
Duration of unemployment (Excluding hidden unemployment)						
Less than 1 month	n/a	n/a	10.1	9.8	10.3	8.4
1-3 months	n/a	n/a	37.5	37.6	11.3	13.9
More than 3 months	n/a	n/a	52.4	52.5	78.5	77.6
Labor force participation rate	86.7	85.0	81.8	82.9	85.7	86.3

*Hidden unemployment is defined as: on involuntary unpaid leave and no labor earnings at the time of the survey.

Figure 4. Duration of Unemployment (BLS Definition)

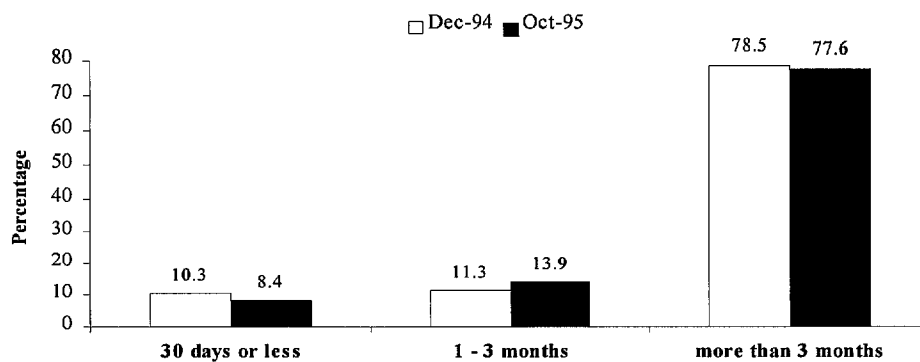


Figure 5. Unemployment Rate by Gender

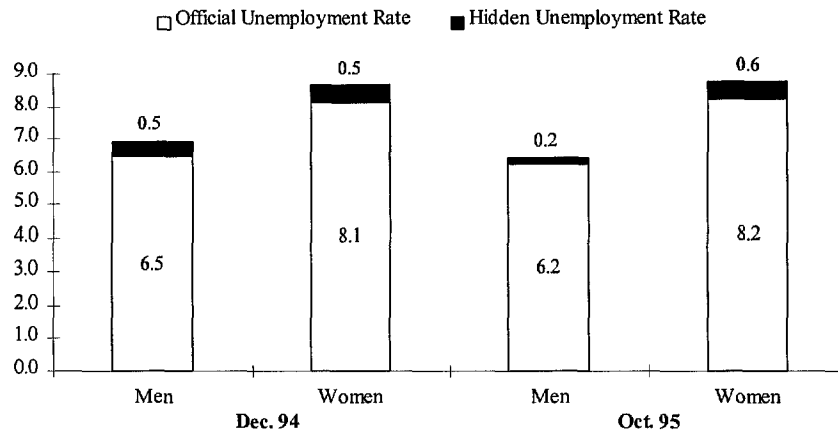


Figure 6. Labor Force Participation of Working-Age Adults (those with jobs or looking for jobs)

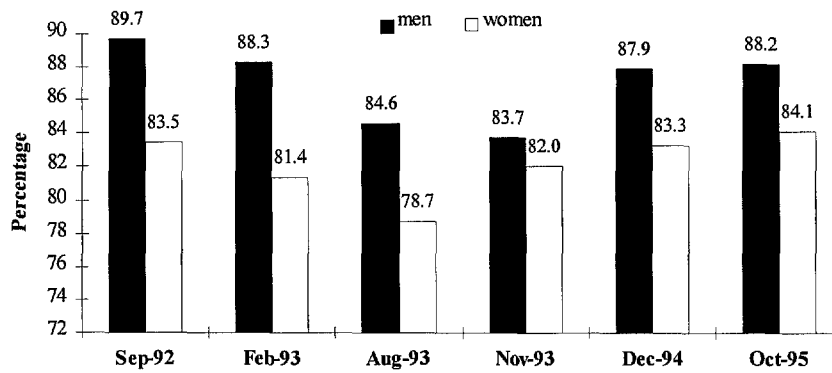
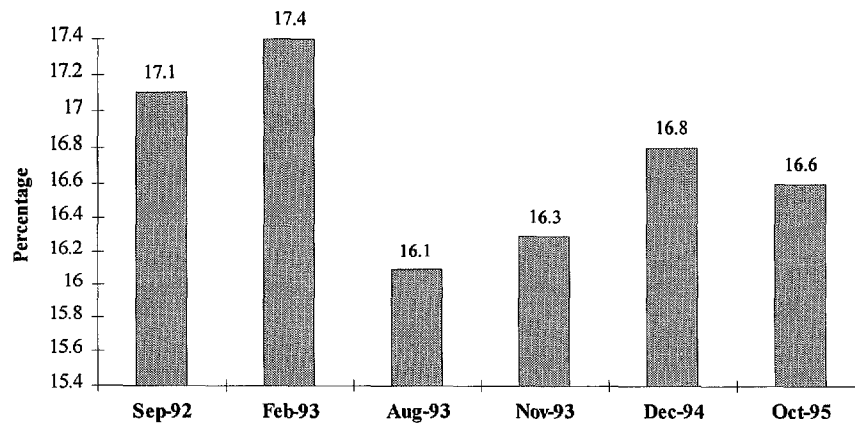


Figure 7. Percentage of Pensioners with Any Kind of Job



Poverty

Poverty rates closely tracked the movements in household incomes. From Table 8, we see that over 62% of all young children were in poverty households during October 1995, up from 49% during December 1994. The current poverty rate for young children is almost as high as it was in February 1993. The incidence of poverty among retirement-aged persons increased by almost two-thirds, from 21% in December 1994 to 34% in October 1995. Table 8 uses the official

all-Russia poverty lines to define poverty status; these measures do not control for regional price and food consumption variations or economies of scale. The alternative poverty lines used to construct Table 9 incorporate regional food baskets, regional prices, and economies of scale adjustments. These refined poverty lines suggest much lower incidences of poverty, but the overall trends in poverty across time, for both young children and retirement-aged adults, remain.

**Table 8 - Poverty: The Distribution of Poverty by Age, Russian Federation
(All-Russia Poverty Line)**

	9/92	2/93	8/93	11/93	12/94	10/95
<i>Children Aged 0-6</i>						
Under 50% of poverty line	12.6	25.6	16.9	21.0	19.1	28.1
50-100% of poverty line	27.1	38.7	29.6	27.7	29.7	34.2
Total under poverty line	39.7	64.2	46.5	48.7	48.8	62.3
<i>Persons of Pension Age</i>						
Under 50% of poverty line	3.5	4.9	3.4	3.8	5.2	10.8
50-100% of poverty line	19.3	26.3	12.7	12.0	15.3	23.6
Total under poverty line	22.8	31.1	16.1	15.8	20.5	34.4

**Table 9 - Poverty: The Distribution of Poverty using a Regional Definition with
Economies of Scale Adjustment**

	Children Aged 0 - 6			Persons of Pension Age		
	9/92	12/94	10/95	9/92	12/94	10/95
Under 50% of poverty line	4.6	9.2	16.2	1.5	1.87	6.7
50-100% of poverty line	10.5	14.2	21.6	6.8	6.04	14.6
Total under poverty line	15.1	23.4	37.8	8.2	7.90	21.4

Housing Ownership

Table 10 traces housing ownership patterns from 1992 to 1995. Home ownership more than doubled over this time period, from 25% to 54%. The fraction of households residing in housing owned by the state or an enterprise declined from 66% to 37%. Table 11 reveals that three-quarters of older household heads

currently own their homes, compared to the 43-50% of households headed by younger individuals. Household heads below age 25 are the most likely to rent from private individuals, and a substantial fraction of household heads aged 25-59 receive their housing from an enterprise or the state.

Table 10 - Distribution of Housing Ownership

	9/92	12/94	10/95
Owned by enterprise or state	65.7	38.8	36.7
Owned by cooperative	3.5	1.0	0.4
Owned by household	25.5	49.9	54.0
Rented from other individuals	2.2	6.0	4.9
Live in a dormitory	3.1	4.4	4.0
Total	100	100	100

Table 11 - Distribution of Housing Ownership by Age of Household Head

	Less than 25 years			25-35 years			36-59 years			Older than 59 years		
	9/92	12/94	10/95	9/92	12/94	10/95	9/92	12/94	10/95	9/92	12/94	10/95
Owned by enterprise or state	60.5	32.5	32.2	68.4	40.5	38.7	73.0	46.7	43.4	48.6	22.2	22.3
Owned by cooperative	4.3	0	0	2.1	0.6	0.3	4.4	1.3	0.5	3.0	1.0	0.6
Owned by household	14.8	40.6	42.9	16.7	38.8	43.0	20.3	45.1	50.0	47.3	73.5	75.0
Rented from other individuals	5.4	11.2	12.7	4.8	10.0	8.0	1.4	4.9	4.1	0.8	2.7	1.6
Live in a dormitory	15.1	15.7	12.2	8.0	10.1	10.1	1.0	1.9	2.0	0.3	0.7	0.5

Other Economic Adjustment Issues

During the transition period, there has been concern about a number of key economic issues, including unemployment, unpaid wages, the need to train workers, and the need to reduce state and enterprise subsidies of housing and utilities. The RLMS collected additional information to help inform about these issues. In general, the huge increases in unemployment have not occurred. Nor have there been significant changes in unpaid wages. In addition, there are

relatively few overdue rent and utility bills. Few unemployed persons have received any job training.

Unpaid wages: The only major shift during the last year in unpaid wages relates to the mean amount owed workers. As shown in Table 12, nearly 40% of all workers were owed back wages. This fraction barely changed from December 1994, but there was a slight increase in the fraction of women owed back wages. The duration of time that wages had been owed changed little during these 10 months, but the mean amount owed fell by 19%.

Table 12 - Unpaid Wages Owed from Primary Employer to Working-Aged Adults

	percent owed money	time period that money has been owed				mean amount owed if owed (in June, 1992 rubles)
		<=1 month	1-2 months	2-3 months	>3 months	
<i>Dec. 1994</i>						
Men	40.3	35.6	29.6	16.8	18.0	7303
Women	35.8	41.6	25.4	14.9	18.1	3764
Total	38.2	38.4	27.6	15.9	18.1	5618
<i>Oct. 1995</i>						
Men	39.9	36.1	27.0	13.6	23.3	5814
Women	37.4	41.0	29.0	15.9	14.1	3241
Total	38.7	38.4	27.9	14.6	19.0	4558
Working-aged is defined as 18-60 years old for males and 18-55 years old for females.						

Job Training: Table 13 indicates that few individuals received training either for their current occupation or for new occupations. Those most in need of training, the unemployed and those out of the labor force, were

quite unlikely to have received any training. Less than one in six women and one in ten men who are unemployed received training. The incidence of training is even lower for those out of the labor force.

Table 13 - Incidence of Additional Training Received by Working-Aged Adults¹ in the Last Three Years, October 1995

	Males			Females		
	All [†]	Unemployed	Out of the labor force	All [†]	Unemployed	Out of the labor force
Training in the same occupational field	8.3	3.6	1.9	10.6	7.2	2.6
Training in a different occupational field	4.6	5.7	2.6	5.5	8.8	4.8

¹Working-aged is defined as 18-60 years old for males and 18-55 years old for females.
[†]All includes total working-aged adults.

Delinquent Rent and Utilities Payments: Over 20% of all households owe back rent or utility payments. The elderly are significantly less likely to owe back payments than average, perhaps reflecting the impact of government rent assistance programs. Those

households headed by working-aged men and women and owing for rent and utilities are nearly two months delinquent in their payments.

Table 14 Households that Owe Rent and/or Utilities, October 1995

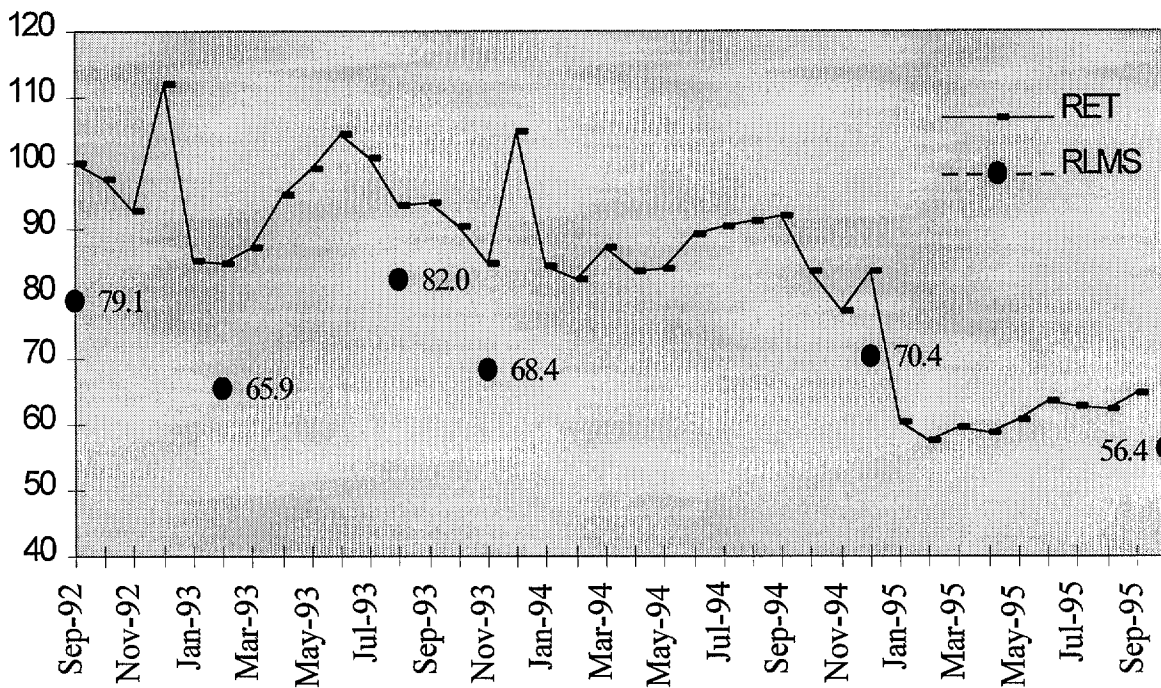
	All Households	Male-headed Households	Female-headed Households	Retired Male-headed Households	Retired Female-headed Households
percent that owe	22.1	25.1	31.1	7.7	13.5
amount owed, if owed (in June, 1992 rubles)	709	768	733	300	262
average monthly rent and utility bill, if not owed (in June, 1992 rubles)	380	445	371	249	227

Per Capita Income

This report uses two approaches to compare RLMS and Goskomstat figures. One utilizes the Goskomstat wages series published by the *Russian Economic Trends*. The second compares per capita income measures from the RLMS to Goskomstat per capita income measures. Figure 8 shows the two data series: the upper series, labeled RET, is constructed from the nominal wage series published by the *Russian Economic Trends*. The real wage was calculated with September 1992 wages as a base of 100. The RLMS

measure of wages from state and private employment was below the *Russian Economic Trends* figure in September 1992. The figure shows the trends in both wage series in real terms between the time of the first RLMS survey and the last one in October, 1995. The trends of increases and decreases in wages are similar between the two sets of data.

Figure 8. Comparison of Average Wages

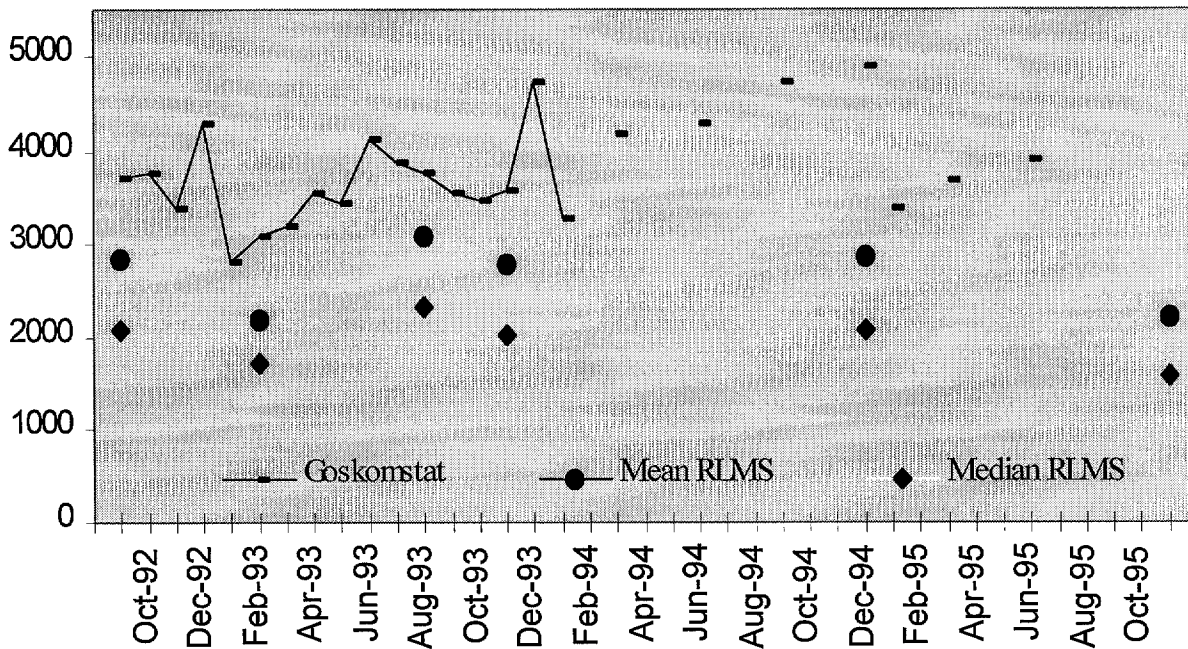


Source: *Russian Economic Trends*, Statistical Appendix. The average real wage is scaled to 100 rubles for Sept. '92. Total wages from the RLMS (from both state and private sources) are presented in relation to the *Russian Economic Trends*' Sept. '92 wage.

Figure 9 presents a comparison of RLMS household incomes and Goskomstat Household Family Budget Survey income estimates. The Goskomstat income figures indicate large real income fluctuations. For instance, real income declined from 4296 rubles per capita in December 1992 to 2827 rubles per capita in January 1993. In general, the RLMS, based on a nationally representative sample, has a much lower

mean per capita income level than that reported by Goskomstat. Figure 9 also reports the across-individual median of household per capita income from the RLMS. The median per capita income is 24–29% below the mean per capita income levels, suggesting that looking only at mean incomes may produce misleading pictures of income levels and trends for the vast majority of the population.

Figure 9. Comparison of Goskomstat and RLMS Real Income Figures (monthly income per capita)



Endnotes

1. All income figures are expressed in June 1992 rubles by using the Goskomstat price deflator presented in Figure 1. As noted in the text, multiplication of the June 1992 figure by 179 provides December 1995 ruble values; multiplication by 166 yields October 1995 rubles. Previous reports used a price index that the World Bank derived from Goskomstat price indices.
2. The numbers reported in Table 2 and Figure 2 are based on averages of the income shares across households and they cannot be calculated directly from the average incomes in Table 1. The ratio of the average income by source to the average total income would correspond to a weighted average of the household income shares, where the weights are proportional to each household's total income.
3. State income includes any ownership that is partially controlled by the state, even when there is joint private and state ownership.
4. The average budget shares displayed in Figure 3 are based on across-household averages of each household's budget shares. Ratios of the average expenditures presented in Table 3 would correspond to weighted averages of budget shares, where the weights are proportional to the household's total expenditures.
5. These published Goskomstat figures are believed to come from the family budget survey, a purposeful sample of workers at state enterprises which also includes a small subsample of pensioners from these same enterprises. It is possible that the *Russian Economic Trends* figures come from the same series, but the source is unclear.